

Message Text

CONFIDENTIAL

PAGE 01 MUNICH 00220 081805Z

71

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FM AMCONSUL MUNICH

TO SECSTATE WASHDC 4848

INFO AMEMBASSY KINSHASA

AMEMBASSY TEHRAN

C O N F I D E N T I A L MUNICH 0220

DEPT PLEASE PASS MOBIL CO., NEW YORK

E.O. 11652: GDS

TAGS: ECON CG

SUBJECT: OIL COMPANIES IN ZAIRE

1. FOLLOWING IS REPORT BY FORMER AMBASSADOR GULLION ON HIS CONVERSATION WITH MOBUTU ON POSITION OF MOBIL AND OTHER OIL COMPANIES IN ZAIRE. DISCUSSED OIL COMPANY SITUATION WITH MOBUTU FOR A CORDIAL HOUR, INTERRUPTED BY PHONE CALLS CINSHASA AND GENERAL BABY KISSING. SALIENT POINTS ARE THAT WHILE MOBUTU PROFESSES DETERMINATION TO PROVE ZAIRE "PRODUCE, PURCHASE, PROCESS AND DISTRIBUTE" PETROLEUM, HE IS ACCESSIBLE TO REASON ON LIMITATIONS OF ZAIRE AND PREPARED LISTEN ALTERNATIVES. HE EXPRESSES WILLINGNESS RECEIVE KLAERNER, PRESIDENT MOBIL INTERNATIONAL OR OTHER HEAD OFFICIAL. EXPRESSED PLEASURE AT TELEGRAM FROM KLAERNER.

2. GULLION MADE SUBSTANTIALLY ALL POINTS IN POSITION PAPER, AGREED WITH MOBIL, PLUS OTHERS DERIVED FROM GENERAL SITUATION AND CONVERSATION WITH BUTLER IN LONDON. GULLION EXPLAINED THESE SAME CONSIDERTIONS MIGHT APPLY OTHER COMPANIES BUT HE MOST FAMILIAR WITH MOBIL BY REASON EXTENDED DISCUSSIONS
CONFIDENTIAL

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PAGE 02 MUNICH 00220 081805Z

WITH COMPANY RE EDUCATIONAL ENTERPRISE IN ZAIRE. AGREEMENTS

INCLUDED ADVANTAGES OF PRICE, ACCESS TO DIVERSIFIED SOURCES, WORLD WIDE DISTRIBUTION NETWORK, RESEARCH AND DEVELOPMENT, ETC. ALSO STRESSED INVESTMENTS MADE BY COMPANIES AND GOOD COMMUNITY RELATIONS.

3. MOBUTU ACKNOWLEDGED GOOD WORKS BUT REFERRED SOME MINOR HASSLE INVOLVING MOBIL'S SUBLETTING PROPERTIES IN HEADQUARTERS BUILDING KINSHASA.

4. RE PRICES GULLION POINTED TO PRESENT PRICE ADVANTAGE OFFERED BY COMPANY OF FROM \$4 TO \$8 LESS THAN PRICES ALGERIA OR LYBIA CRUDE. ALSO THAT REFINERY ILL SUITED FOR OTHER THAN ARAB/IRANIAN LIGHT AND DIFFICULTY PETROZAIRE WOULD HAVE ASSURING DISTRIBUTION TO WIDE FLUNG ZAIRE RECEPTION POINTS WITHOUT MOBIL NETWORK.

5. AMERICAN COMPANY COULD BE CRITERION OF EFFICIENCY WITNESS UK SYSTEM IN WHICH GOVERNMENT COMPANY CONTROLS A LARGE DISTRIBUTION NETWORK WITH REMAINDER LENT TO PRIVATE ENTERPRISE.

6. MOBUTU RECEPTIVE BUT STRESSED THAT ISSUE IS BETWEEN POOR AND RICH COUNTRIES. TIME HAD COME NOT ONLY FOR OIL PRICE STRUCTURES TO BE REMEDIED BUT ALSO FOR MORE EQUITABLE RELATIONSHIP ALL RAW MATERIALS. CLAIMED PRICES ALWAYS FIXED BY BUYER NOT SELLER. SAID HE HAD SEEN IN BELGIUM BREAKDOWN OF DISTRIBUTION ON RECEIPTS IN WHICH MARKETER AND MARKETING COUNTRIES SPLIT ABOUT 80 PERCENT OF YIELD WITH ONLY 12 PERCENT REMAINING FOR PRODUCER. GULLION REPLIED OBVIOUS GREAT DIFFERENCE OF OPINION ON DETERMINANTS OF PRICE STRUCTURE. THESE BEST SETTLED BY CONSULTATION BETWEEN MOBUTU AND TOP OFFICIAL. MOBUTU EXPRESSED WILLINGNESS RECEIVE COMPANY OFFICIAL IN KINSHASA ANY TIME AFTER MARCH 4.

7. MOBUTU EXPECTS SOME PREFERENTIAL TREATMENT IN ARAB COUNTRIES WHICH HE IS TO VISIT. GULLION SAID TO HIS KNOWLEDGE ARABS HAD MADE NO CONCESSIONARY PRICE TO AFRICAN COUNTRIES POSSIBLY BECAUSE THEY FEARED RESALE BY LATTER. MOBUTU CONFIRMED.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MUNICH 00220 081805Z

8. WHEN QUERIED WHAT COULD OFFER IN EXCHANGE COMPARABLE TO EUROPEAN OFFERS TECHNICAL ASSISTANCE AND FINISHED PRODUCTS, MOBUTU SAID HE HAD MUCH. ALSO REFERRED MYSTERIOUSLY TO URANIUM DEPOSITS IN WHICH SHAH OF IRAN WAS INTERESTED (IMPORTATION? EXPLOITATION?). SAID SHAH HAD TRIED TO GET HIM TO VISIT ST. MORITZ BUT THAT MOBUTU NOW ADDING IRAN TO HIS ITINERARY.

9. GULLION CITED ESTIMATE THAT DEVELOPING COUNTRIES NOW

PAYING FOUR TIMES MORE FOR THEIR ENERGY THAN VALUE OF ALL EXTERNL AID BEING RECEIVED BY THEM. ALSO THAT PETROLEUM COMPANIES IN EFFECT CREATING "4TH WORLD" OF DEVELOPING COUNTRIES AT MERCY OF HIGH PRICS. POINTED OUT THAT KENYA HAD ATTEMPTED TO GET CONCESSIONARY PRICE WITHOUT SUCCESS AND NOW WAS BACK TO OLD STAND DEALING WITH AMERICAN COMPANIES.

10. MOBUTU AND GULLION BRIEFLY DISCUSSED TERMS OF POSSIBLE SETTLEMENT OF DISAGREEMENTS. GULLION STRESSED COMPANY LIKE MOBIL COULD FUNCTION AS YARDSTICK OF EFFICIENCY AS WELL AS INFLUENCING ATTITUDE OF OTHER COUNTRIES. MOBUTU ACKNOWLEDGED MOBIL HAD MODERATED PETROFINA ATTITUDE AND ASSERTED THT FINA HAD PRECIPITATED WHOLE AFFAIR. MOBUTU ALSO SEEMED TO BELIEVE COMPANY'S PARTICIPATION IN STOCK CONSORTIUM ON PIPE LINE AND DEPOT REPRESENTED GANGING UP. GULLION TRIED TO DISABUSE HIM. IN ANY CASE SUGGESTED COMPANIES COULD TAKE PRODUCT TO REFINERY GATE AND MARKET IT.

11. COMMENT: ON BASIS DISCUSSIONS KINSHASA AND WITH MOBUTU, GULLION INCLINED BELIEVE POSITION WILL REMAIN FLUID FOR A WHILE DESPITE MOBUTU'S CATEGORIC DECLARATIONS. WHILE DATE FOR POSSIBLE MEETING WITH MOBIL OFFICIALS OCCURS AFTER REPORTED DEADLINE FOR TAKEOVER IT SEEMS VERY DESIRABLE. DOUBT THAT MUCH WILL OCCUR IN INTERIM. MOBIL MAY CHOOSE WHETHER IT WISHES TO ADVANCE THE DATE AND GULLION WOULD QUESTION WISDOM MEETING WITH AMERICAN IN ARAB COUNTRIES DURING MOBUTU TOUR. WOULD SUGGEST EARLIEST ASSURANCES BY MOBIL ABOUT REAL PROPERTY IN KINSHASA, ALSO ASSURANCE MOBIL COOPERATION IN PROVIDING TANKERS. GULLION IMPRESSION MOBUTU ILL INFORMED REALITIES OF INDUSTRY AN SOMEWHAT BRAINWASHED BY BELGIANS, ALGERIANS, LYBIANS BUT NOT CONFIDENTIAL

CONFIDENTIAL

PAGE 04 MUNICH 00220 081805Z

IRRETRIEVABLE.

12. FOLLOWING DISCUSSION, MOBUTU, GULLION VISITED BISENGIMANA TO PIN DOWN MOBUTU'S DECISION TO RECEIVE MOBIL OFFICIAL. BISENGIMANA REGISTERED APPROVAL. HE TEMPORARILY LESS ACTIVE BECAUSE OF ILLNESS. SPIVACK

NOTE BY OC/T: NOT PASSED MOBIL CO., NEW YORK.

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